



STATE OF MISSISSIPPI
HALEY BARBOUR, GOVERNOR

DEPARTMENT OF FINANCE AND ADMINISTRATION
J.K. STRINGER, JR.
EXECUTIVE DIRECTOR

FINANCIAL AUDIT FINDINGS

February 20, 2004

Phil Bryant, State Auditor
Office of the State Auditor
State of Mississippi
501 North West Street, Suite 801
Jackson, Mississippi 39201

Dear Mr. Bryant:

The following are our formal responses and corrective action plans for the Findings and Recommendations of the Fiscal Year 2003 audit.

AUDIT FINDINGS:

REPORTABLE CONDITION

Agency Should Strengthen Controls Over Manual Warrants

Response: We agree.

Corrective Action Plan:

The Bureau of Financial Control (BFC) staff within the Office of Fiscal Management (OFM) applied the control numbers to the blank manual warrants immediately upon being made aware of the oversight by the auditors. The current office procedures were reviewed and changes have been implemented to insure that the blank manual warrants will have control numbers applied upon receipt

- Upon receipt of the blank warrants, designated BFC staff will verify the number of warrants received and the assigned control numbers. They will then initial the DFA-IT receipt document confirming that the warrant and log numbering process is completed. A copy of this document is maintained in both offices.
- A sequential log has been developed to replace the individual manual warrant forms previously used to record the issuance of manual warrants. This log will be updated immediately upon receipt of blank warrants to insure the accountability of all such warrants, both used and stored in the safe. The date, purpose, blank control number, SAAS manual warrant number, and issuer for each warrant used will be recorded on the log.
- OFM staff independent of BFC will routinely review the log and account for the unused blank warrants. The review will be documented as part of the overall accountability of blank manual warrants.

IMMATERIAL WEAKNESSES IN INTERNAL CONTROLS

Controls Over SAAS Approval Levels Should Be Strengthened

Response: We agree.

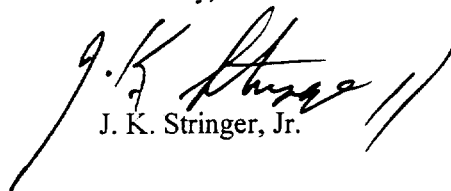
Corrective Action Plan:

DFA personnel will continue to follow established controls to ensure that transactions under the authority of DFA are properly restricted with only DFA employees having the final levels as indicated in the security guidelines.

- Our process for administering application system security is that one security administrator does the actual set up and another reviews the work. We will re-emphasize this policy with appropriate staff.
- Additionally, we have an audit report that shows the security groups containing documents for which the agencies should not have the final approval level, a list of all users in these groups and the approvals each actually has. We internally review this report quarterly. We file a copy of each quarterly report and include a memo to the file stating that the report was reviewed and identify any deficiencies found and corrected. This particular incident fell between two quarterly reviews.
- We removed the fourth level of approval over disbursements from the employee at the Mississippi Development Authority immediately upon notification by the auditors. In addition, we have determined that no transactions were approved by this employee using the BFC final approval level.

Please address additional questions regarding these matters to Leila Malatesta, Director, Office of Fiscal Management at (601) 359-3405 or malatel@dfa.state.ms.us or Cille Litchfield, Chief Systems Information Officer at (601) 359-1433 or litchc@mmrs.state.ms.us.

Sincerely,



J. K. Stringer, Jr.

JKS:LCM:lf

PC: Leila Malatesta, Director, Office of Fiscal Management
Cille Litchfield, Chief Systems Information Officer, MMRS